

TESTIMONY

Finance Committee Public Hearing
March 2, 2009

RE: HB 6561 AN ACT CONCERNING MUNICIPAL REVENUE DIVERSIFICATION

Good afternoon Senator Coleman, Representative Sharkey and distinguished members of the Planning and Development Committee. My name is Christopher Bergstrom. I am the Executive Director of the Stamford Urban Redevelopment Commission. Thank you for this opportunity to appear before you today to speak in support of two sets of bills:

- Land Value Tax
- Hotel Tax

Land Value Tax

This bill removes the disincentive that causes many property owners in city districts to leave lots vacant and buildings abandoned. Under the current property tax system, the more improvements an owner makes the higher taxes he or she pays. This leads many owners to land bank, fearful they will not be able to attract the necessary tenants to pay for higher taxes and development costs. Often properties continue to sit idle until signs of redevelopment around them provide owners with the confidence to move forward. But with everyone waiting for the next guy to begin renovations, nothing happens.

HB 6561 would grant municipalities the option of adopting a "Land Value Tax" that allows municipalities to assess taxes either entirely or predominately on the land, rather than the building improvements on the land. Using such a system, the owner who makes improvements to his buildings or builds on his vacant lot pays no more taxes than the guy who leaves the property rundown.

The LVT method would apply to all commercial properties in a district, if a municipality chooses to adopt the LVT. The incremental tax impact on a blighted property would be greater in most cases with the LVT, because the current mill rate is applied to the fully developed value of the property, rather than just increasing the mill rate on the current value.

Typically LVT ordinances phase in the new taxing system over a number of years, gradually shifting the assessment from buildings and the land to the land only. Owners with vacant lots and empty storefronts see their taxes increasing as the assessment shifts, driving them to improve the property and generate revenue.

The legislature should be careful to limit LVT ordinances to urban centers in its current form. If used in rural and suburban towns, it could penalize farms and those holding large tracts of open space, encouraging development and sprawl, unless the legislation was carefully crafted to limit it to vacant lots and deteriorated property in existing village and town commercial centers.

Utilized where it makes sense, this bill could be a powerful tool in encouraging development of empty lots and unused buildings in urban commercial districts. An important point is that the use of the LVT would be optional, giving cities the option to use it only in those districts where it makes sense.

Hotel Tax

Currently, all of the hotel room tax collected in Connecticut goes to the state. These bills create a local option for a 1.5% room tax on top of the current room tax. This 1.5% room tax would go to the municipality in which the hotel is located.

Part of the original logic of the hotel tax was to provide a revenue stream to invest in arts and tourism development and promotion, which in turn, would increase hotel stays, hotel revenues and hotel taxes, some of which could then be reinvested in additional arts and tourism development and promotion in a reinforcing cycle. Over time, the hotel tax has become just another revenue source for the General Fund.

These bills establish a small, new revenue stream to enable municipalities to make the hotel revenue-inducing investments in arts and tourism development and promotion that the hotel room tax was originally intended to create.

Thank you for this opportunity to speak with you. I am available to answer questions you may have on any of my testimony.

Respectfully submitted,

Christopher Bergstrom
Executive Director